DOCUMENT RESUME

ED 475 699 CE 084 871

TITLE	Workforce Training: Employed Worker Programs Focus on Business Needs, But Revised Performance Measures Could Improve Access for Some Workers. Report to Congressional Requesters.
INSTITUTION	General Accounting Office, Washington, DC.
REPORT NO	GAO-03-353
PUB DATE	2003-02-00
NOTE	54p.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015. Web site: http://www.gao.gov (first copy free; additional copies $2.00 each; 100 or more: 25% discount). For full text: http://www.gao.gov/new.items/ d03353.pdf.
PUB TYPE	Reports - Evaluative (142)
EDRS PRICE	EDRS Price MF01/PC03 Plus Postage.
DESCRIPTORS	Access to Education; Basic Skills; Community Colleges; Education Work Relationship; Educational Finance; Employees; Employment Qualifications; Federal State Relationship; Financial Support; *Government School Relationship; Job Performance; Job Skills; *Labor Force Development; Limited English Speaking; Low Income; National Surveys; Outcomes of Education; Performance Factors; Performance Technology; Postsecondary Education; Relevance (Education); Skill Development; State Action; Technical Institutes; *Training; *Training Methods; *Training Objectives; Trend Analysis; Two Year Colleges; Unskilled Workers; *Working Poor
IDENTIFIERS	*Barriers to Participation; Workforce Investment Boards

ABSTRACT

The General Accounting Office (GAO) examined publicly supported training programs for employed workers, including low-wage workers. The GAO surveyed local workforce boards nationwide and received responses from 470 boards. Two-thirds of the responding boards provided assistance to train employed workers, including partnering with employers to develop training proposals and funding training. All 16 states contacted by GAO also funded training for employed workers. Although many types of training for employed workers were being funded, most funding went to occupational training to upgrade skills in areas such as learning new computer applications and basic skills training in areas such as English and math. Community or technical colleges were the institutions used most frequently to deliver such training. In targeting training specifically for low-wage workers, state and local officials addressed several challenges hindering individuals' and employers' participation in training. State and local officials also addressed some of the following personal issues that make it difficult for low-wage workers to participate in training: limited English and literacy skills, childcare, transportation, scheduling conflicts, and financial constraints. (Eleven tables/figures are included. The following items are appended: the study objectives, scope, and methodology; information from the workforce boards survey and state funding sources; and comments from the Department of Health and Human Services and the Department of Labor.) (MN)

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GAO

Report to Congressional Requesters

February 2003

ED 475 699

WORKFORCE TRAINING

Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers

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Highlights

Highlights of GAO-03-353, a report to the Ranking Minority Member, Senate Committee on Health, Education, Labor and Pensions, and Chairman, Subcommittee on 21st Century Competitiveness, House Committee on Education and the Workforce

Why GAO Did This Study

Although training for employed workers is largely the responsibility of employers and individuals, the Workforce Investment Act (WIA) allowed state and local entities to use federal funds for training employed workers. Similarly, welfare reform legislation created Temporary Assistance for Needy Families (TANF) block grants and gave states greater flexibility to design training services for TANF clients to help them obtain and retain jobs.

To better understand how the training needs of employed workers, including low-wage workers, is publicly supported, GAO was asked to determine (1) the extent to which local areas and states provide assistance to train employed workers, including funding training; (2) the focus of such training efforts and the kind of training provided; and (3) when targeting training to low-wage workers, the approaches state and local officials identified to address challenges in training this population.

What GAO Recommends

To improve the use of WIA funds for employed worker training, GAO recommends that the Secretary of Labor review a current WIA performance measure for change in adult average earnings. Labor agreed with our recommendation and will evaluate performance measures to identify and address unintended disincentives for serving employed workers.

www.gao.gov/cgi-bin/GAO-03-353.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Sigurd Nilsen at (202) 512-7215 or nilsens@gao.gov.

WORKFORCE TRAINING

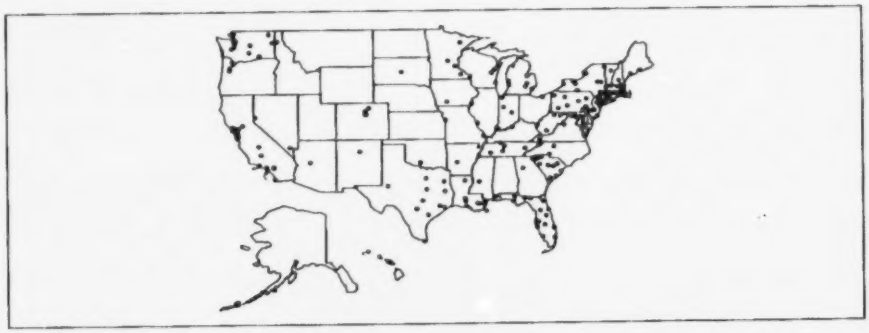
Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers

What GAO Found

Nationwide, two-thirds of the 470 local workforce boards responding to our survey provided assistance to train employed workers, such as partnering with employers to develop training proposals or funding training. Nearly 40 percent specifically budgeted or spent funds on training these workers. The number of boards that reported funding training for employed workers varied by state, but most states had at least one workforce board that targeted funds on such training. At the state level, all 16 states that GAO contacted also funded training for employed workers. These states and local workforce boards reported funding training that addressed specific business and economic needs. Although many types of training for employed workers were funded, most often occupational training to upgrade skills, such as learning new computer applications, and basic skills training, such as in English and math, were emphasized and community or technical colleges were most frequently used to provide these services.

In targeting training specifically for low-wage workers, state and local officials identified approaches to challenges that hindered individuals' and employers' participation in training. Officials developed approaches to address some of the personal issues that low-wage workers face that made participating in training difficult. They also developed ways to gain support from employers who were reluctant to participate in low-wage worker training, such as by partnering with employers to develop career paths that help retain employees within companies. However, officials reported that challenges to implementing successful training still exist. For example, they explained that the WIA performance measure that tracks the change in adult earnings after 6 months could limit training opportunities for employed workers, including low-wage workers. The wage gain for employed workers would not likely be as great as that for unemployed job seekers, and this might provide a disincentive to enrolling employed workers into training because their wage gain may negatively affect program performance.

Most states had at least one workforce board that reported funding training specifically for employed workers in either program year 2000 or 2001.



Source: Analysis of GAO survey of local workforce boards.

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Abbreviations

ERA	Employment Retention and Advancement
ESL	English as a Second Language
HHS	Department of Health and Human Services
NAICS	North American Industry Classification System
TANF	Temporary Assistance for Needy Families
UI	Unemployment Insurance
WIA	Workforce Investment Act

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United States General Accounting Office
Washington, DC 20548

February 14, 2003

The Honorable Edward M. Kennedy, Ranking Minority Member
Committee on Health, Education, Labor and Pensions
United States Senate

The Honorable Buck McKeon, Chairman
Subcommittee on 21st Century Competitiveness
Committee on Education and the Workforce
House of Representatives

Technological advances continue to transform the U.S. workforce and economy. To keep pace, workers must periodically improve their skills, and, as a result, training for employed workers has become an essential part of the new workplace. In fact, according to data from the U.S. Bureau of Labor Statistics, for almost 70 percent of all occupations, work-related training is the primary source of education or training. Such training can enable employed workers to advance in their jobs, opening up entry-level positions for others. Furthermore, low-wage workers who receive training can achieve wage gains leading to self-sufficiency—a goal of both welfare reform and the Workforce Investment Act (WIA).

When the Congress passed WIA in 1998, it allowed state and local governments to use federal funds for training employed workers, instead of primarily funding services designed to help the unemployed. Similarly, welfare reform legislation in 1996 created Temporary Assistance for Needy Families block grants (TANF) that sought to move welfare recipients into jobs and gave states greater flexibility to design training services—including postemployment training—for TANF clients. Little is known, however, about the extent to which state and local governments are funding training for employed workers because options to train these workers under WIA and TANF are relatively new.

To better understand how states and local areas are training employed workers, including low-wage workers, you requested that we determine (1) the extent to which local areas and states provide assistance to train employed workers, including funding training; (2) the focus of such training efforts and the kind of training provided; and (3) when targeting training to low-wage workers, the approaches state and local officials identified to address challenges in training this population.

To respond to these questions, we obtained a national perspective on local efforts to specifically fund training for employed workers using a mail survey to all 595 local workforce investment boards that were created under WIA to establish local workforce development policies. We received responses from 79 percent of the workforce boards surveyed.[1] To determine how states provided assistance for training employed workers, including low-wage workers, we conducted telephone interviews with officials in 16 states who were responsible for workforce development, economic development, and TANF funds used for education and training.[2] We selected these states because, between 1998 and 2001, most of them had used federal funds, such as demonstration grants, for training employed workers. In obtaining information from state officials and local workforce investment boards, we focused on program years 2000 and 2001.[3] To obtain more in-depth information about the approaches state and local officials use to address challenges in providing training specifically for low-wage workers, we visited local areas in four of the states—Florida, Texas, Oregon, and Minnesota; these were chosen from the states whose officials we interviewed by telephone. We selected these states for site visits largely because experts and others had identified them as having specific efforts for training employed workers, especially initiatives to help low-wage workers retain employment and advance in their jobs. We also discussed efforts to train employed workers with officials from the Departments of Labor, Health and Human Services (HHS), and Education, and representatives of associations such as the National Governors' Association, National Association of Workforce Boards, and the U.S. Chamber of Commerce. We conducted our work from October 2001 through December 2002 in accordance with generally accepted government auditing standards. For further information on our scope and methodology, see appendix I.

[1]We administered the survey to local workforce investment board directors in the 50 United States, the District of Columbia, and Puerto Rico.

[2]Although it is possible that state offices other than those we contacted could also use some TANF funds to support training for employed workers, contacting additional offices was outside of the scope of our work.

[3]A program year under WIA begins on July 1 of a year and ends on June 30 of the following year. A program year is designated by the year in which it begins. Thus program year 2000 began on July 1, 2000, and ended on June 30, 2001.

Results in Brief

Nationwide, two-thirds of the 470 workforce boards responding to our survey provided assistance to train employed workers—and did so in a variety of ways, such as partnering with employers to develop training proposals or funding training; all 16 states that we contacted also funded training for employed workers. Nearly 40 percent of workforce boards specifically budgeted or spent funds to train employed workers, and a greater percentage of workforce boards reported funding such training in program year 2001 than in the previous year. The 16 states we contacted all funded training for employed workers, and most of these states funded such training from two or more offices; these offices included those responsible for workforce development, economic development, and TANF funds used for education and training. When more than one office within a state funded training for employed workers, most state offices reported coordinating these efforts both formally and informally. Few states and local workforce boards were able to provide information on the number of low-wage workers who participated in training because many do not categorize training participants by wage or employment status. Local areas and states most commonly funded training for employed workers with federal resources, such as WIA and TANF funds.

States and local workforce boards focused their training initiatives for employed workers on training that addressed specific business needs and emphasized certain workplace skills. States and local workforce boards often gave priority to training needed for certain economic sectors, such as manufacturing and health care, or for occupations that were in demand, such as certified nursing assistants. In Indiana, for example, the state workforce office sponsored a high-skills, high-wage training initiative designed to meet employers' specific needs for skilled workers in information technology, manufacturing, and health. Although states and local workforce boards funded many types of training for employed workers, they most often emphasized occupational training to upgrade skills, such as learning new computer applications, and basic skills training, such as in English and math. They most frequently used community or technical colleges to provide these services.

In targeting training specifically for low-wage workers, state and local officials addressed several challenges that hindered individuals' and employers' participation in training. State and local officials also addressed some of the personal issues that low-wage workers face—such as limited English and literacy skills, childcare and transportation needs, scheduling conflicts, and financial constraints—that made participating in training difficult. State and local officials also developed a number of ways to gain support from employers who were reluctant to participate in low-

wage worker training, such as by partnering with employers to develop career paths that help retain employees within companies and by streamlining grant application paperwork. Despite attempts to address both worker and employer issues, challenges to implementing successful training still exist. For example, state and local officials reported that the WIA performance measure that tracks adult earnings gain, and certain funding requirements that accompany some federally funded training programs, may limit training opportunities for some low-wage workers. The wage gain for employed workers would not likely be as great as that for unemployed job seekers, and this measure might provide a disincentive to local boards to enroll employed workers into training, because lower wage gains could negatively affect their program performance.

To improve the use of WIA funds for employed worker training, we recommend that the Secretary of Labor review the current WIA performance measure for changes in adult average earnings to ensure that it does not provide disincentives for serving employed workers, including low-wage workers. The Department of Labor agreed with our findings and recommendation. Labor also noted that as part of an evaluation of the WIA performance measurement system, a study for which they contracted in May 2002, performance measures would be evaluated so that unintended disincentives might be eliminated.

Background

Although training for employed workers is largely the responsibility of employers and individuals, publicly funded training seeks to fill potential gaps in workers' skills. In recent years, the federal government's role in training employed workers has changed. In 1998, WIA replaced the Job Training Partnership Act after 16 years and, in doing so, made significant changes to the nation's workforce development approach. Before implementation of WIA, federal employment and training funds were primarily focused on helping the unemployed find jobs; the WIA legislation allowed state and local entities to use federal funds for training employed workers.[4] TANF block grants to states also allowed more flexibility to states in serving low-wage workers and, like WIA funds, federal funding

[4]Pub. L. No. 105-220 (1998). WIA is administered and funded at the federal level through the Department of Labor and traditionally administered through a state's workforce structure.

authorized under TANF can now be used for training employed workers, including low-wage workers.[5]

WIA Funding for Training Employed Workers

WIA funds provide services to adults, youth, and dislocated workers and are allocated to states according to a formula. States must allocate at least 85 percent of adult and youth funds to local workforce areas and at least 60 percent of dislocated worker funds to local workforce areas. For training employed workers, the WIA funds used are from those appropriated to provide services to all adults as well as dislocated workers, funded at about $2.5 billion for program year 2001.[6] WIA also permits states to set aside up to 15 percent of WIA funds allocated for adults, youth, and dislocated workers to their states to support a variety of statewide workforce investment activities that can include implementing innovative employed worker programs.[7] These funds can also be spent for providing assistance in the establishment and operation of one-stop centers, developing or operating state or local management information systems, and disseminating lists of organizations that can provide training. In a previous GAO report, we reported that several states used these state set-aside funds specifically for implementing employed worker training.[8]

WIA also required that all states and localities offer most employment and training services to the public through the one-stop system—about 17 programs funded through four federal agencies provide services through this system.[9] For this system, WIA created three sequential levels

[5]Pub. L. No. 104-193 (1996). TANF block grants to states were created under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. TANF grants are administered and funded at the federal level through the Department of Health and Human Services and are generally part of a state's human services structure.

[6]In certain limited situations, dislocated worker funds can be used to provide services to employed workers as long as they meet WIA's definition of a dislocated worker.

[7]For training current workers, Labor refers to training using WIA local funding as employed worker training and training using WIA state set-aside funds as incumbent worker training, to distinguish between the two funding sources. For the purposes of this report, however, we refer to all training provided to current workers as employed worker training.

[8]U.S. General Accounting Office, *Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program*, GAO-02-274 (Washington, D.C.: Feb. 11, 2002).

[9]Workforce development activities are coordinated through state and local workforce investment boards—the majority of board members must come from the private sector. The governor certifies local boards to, among other duties, select one-stop operators.

of service—core, intensive, and training. The initial core services, such as job search assistance and preliminary employment counseling and assessment, are available to all adults and WIA imposes no income eligibility requirements for anyone receiving these core services. Intensive services, such as case management and assistance in developing an individual employment plan, and training require enrollment in WIA and generally are provided to persons judged to need more assistance. In order to move from the core level to the intensive level, an individual must be unable to obtain or retain a job that pays enough to allow the person to be self-sufficient, a level that is determined by either state or local workforce boards. In addition, to move from the intensive level to the training level, the individual must be unable to obtain other grant assistance, such as Department of Education grants, for such training services. Under WIA, states are encouraged to involve other agencies besides workforce development—including the agencies responsible for economic development and the Department of Health and Human Services' TANF program—in the planning and delivery of services in the one-stop center system.

WIA Performance Measures

WIA performance measures are designed to indicate how well program participants are being served by holding states and local areas accountable for such outcomes as job placement, employment retention, and earnings change. WIA requires the Department of Labor and states to negotiate expected performance levels for each measure. States, in turn, must negotiate performance levels with each local area. The law requires that these negotiations take into account such factors as differences in economic conditions, participant characteristics, and services provided. WIA holds states accountable for achieving their performance levels by tying those levels to financial sanctions and incentive funding. States meeting or exceeding their measures may be eligible to receive incentive grants that generally range from $750,000 to $3 million. States failing to meet their expected performance measures may suffer financial sanctions. If a state fails to meet its performance levels for 1 year, Labor provides technical assistance, if requested. If a state fails to meet its performance levels for 2 consecutive years, it may be subject to up to a 5 percent reduction in its annual WIA grant.

TANF Funding for Training Employed Workers

In fiscal year 2000—the latest for which data are available—states reported spending $121.6 million in federal TANF funds specifically for education and training.[10] Prior to WIA, welfare reform legislation created the TANF block grant, which provided flexibility to states to focus on helping needy adults with children find and retain employment. The TANF block grant is a fixed amount block grant of approximately $16.7 billion annually. Although the TANF program was not required to be part of WIA's one-stop system, states and localities have the option to include TANF programs. As we have previously reported,[11] many are working to bring together their TANF and WIA services. The TANF block grants allow states the flexibility to decide how to use their funds—for example, states may decide eligibility requirements for recipients, how to allocate funds to a variety of services, and what types of assistance to provide. Work-related activities that can be funded under TANF encompass a broad range of activities including subsidized work, community service programs, work readiness and job search efforts, as well as education and training activities such as on-the-job training, vocational education, and job skills training related to employment.

TANF funds available to states can be used for both pre- and postemployment services. Because of the increased emphasis on work resulting from welfare reform and time limits for receiving cash assistance, state offices responsible for TANF funds may focus largely on helping their clients address and solve problems that interfere with employment, such as finding reliable transportation and affordable child care, especially for those in low-paying jobs.

[10]The $121.6 million in fiscal year 2000 expenditures for education and training includes TANF funds available from fiscal years 1997, 1998, 1999, and 2000.

[11]U.S. General Accounting Office, *Workforce Investment Act: Implementation Status and the Integration of TANF Services*, GAO/T-HEHS-00-145 (Washington, D.C.: June 29, 2000) and *Workforce Investment Act: Coordination between TANF Programs and One-Stop Centers Is Increasing, but Challenges Remain*, GAO-02-500T (Washington, D.C.: Mar. 12, 2002).

Other Federal Funds Available for Training Employed Workers

In recent years, several federal demonstration or competitive grants were available for training employed workers. For example, the Department of Labor's Welfare-to-Work state and competitive grants[12] were authorized by the Congress in 1997 to focus on moving the hardest-to-employ welfare recipients and noncustodial parents of children on welfare to work and economic self-sufficiency. Overall, welfare-to-work program services were intended to help individuals get and keep unsubsidized employment. Allowable activities included on-the-job training, postemployment services financed through vouchers or contracts, and job retention and support services. In addition, shortly after WIA was enacted, Labor gave all states an opportunity to apply for $50,000 planning grants for employed worker training.[13] States were instructed to develop policies and program infrastructures for training employed workers and to indicate their available resources, anticipated needs, and plans for measuring success. The Secretary of Labor also awarded larger, 2-year competitive demonstration grants, operating from July 1, 1999, to June 20, 2001, for training employed workers.

In addition, HHS is supporting the Employment Retention and Advancement (ERA) study of programs that promote stable employment and career progression for welfare recipients and low-income workers. In 1998, for the planning phase of this project, HHS awarded 13 planning grants to states to develop innovative strategies. HHS has contracted with the Manpower Demonstration Research Corporation to evaluate 15 ERA projects in eight states, comparing the outcomes of those who received services with a control group that did not.[14]

About the same time as the enactment of WIA, the Congress passed the American Competitiveness and Workforce Improvement Act of 1998,[15]

[12]Six states—Idaho, Mississippi, Ohio, South Dakota, Utah, and Wyoming—did not participate in the welfare-to-work state formula grant program. These states chose not to participate for various reasons, including concerns about their ability to provide state matching funds. Most states had at least one local service organization that received competitive grant funds. See U.S. General Accounting Office, *Welfare Reform: Status of Awards and Selected States' Use of Welfare-to-Work Grants*, GAO/HEHS-99-40 (Washington, D.C.: Feb. 5, 1999).

[13]States were not required to provide matching funds for this grant but only 29 states applied—several did not use their grant funds or returned a part of the grant award.

[14]The Manpower Demonstration Research Corporation is a nonprofit, nonpartisan social policy research organization.

[15]Pub. L. No. 105-277 (1998).

which authorized some funding for technical skills training grants as part of an effort to increase the skills of American workers. This legislation raised limits on the number of high-skilled workers entering the United States with temporary work visas, imposing a $500 fee on employers—later raised to $1,000—for each foreign worker for whom they applied.[16] Most of the money collected is to be spent on training that improves the skills of U.S. workers. Labor awards the skill grants to local workforce investment boards, thereby linking the skill grant program with the workforce system. The workforce boards may use the funds to provide training to both employed and unemployed individuals. In a previous GAO report on these grants,[17] we reported that, for grantees that collected participant employment data (39 of 43 grantees), approximately three-fourths of the skills training grant participants are employed workers upgrading their skills.

State Funds for Training Employed Workers

In addition to being able to use WIA state set-aside funds for different activities including training employed workers, states can authorize funds from other available sources, such as state general revenue funds or funds related to unemployment insurance trust funds. States can also fund such training in conjunction with other federal funding grants, such as the Department of Housing and Urban Development's Community Development Block Grant. This grant can be used for economic development activities that expand job and business opportunities for lower-income persons and neighborhoods. These state training programs serve primarily to help businesses address a variety of issues including skill development, competitiveness, economic development, and technological changes.

States can fund training for employed workers through various offices. Workforce development offices have historically focused on training for unemployed and economically disadvantaged individuals, while economic development offices have typically focused on helping employers foster economic growth for states. Economic development offices may also provide employment and training opportunities to local communities, generally by working with employers to meet skill shortages and long-term

[16]The fee for employers who apply for H-1B visa workers expires on September 30, 2003.

[17]U.S. General Accounting Office, *High-Skill Training: Grants from H-1B Visa Fees Meet Specific Workforce Needs, but at Varying Skill Levels*, GAO-02-881 (Washington, D.C.: Sept. 20, 2002).

needs for qualified workers. States have more often subsidized training tailored for businesses through their economic development offices, according to reports published by the National Governors' Association.[18]

Most Local Workforce Boards, and All States Contacted, Provided Assistance for Training Employed Workers

Most of the local workforce boards reported that they provided assistance to train employed workers, including funding training, as did all 16 states that we contacted. Two-thirds of the workforce boards responding to our survey provided assistance to train employed workers in a variety of ways, and nearly 40 percent of the workforce boards specifically targeted funds on training for these workers. Furthermore, a greater percentage of workforce boards reported funding employed worker training in program year 2001 than in program year 2000. The 16 states we contacted all funded training for employed workers and most of these states funded and coordinated this training from two or more offices. Few states and local workforce boards were able to provide information on the number of low-wage workers who participated in training because many did not categorize training participants by wage or employment status. Generally, local areas and states funded training for employed workers with various federal, state, local, or other resources, although WIA and other federal funds were the most common sources of funding for this training.

Most Local Workforce Boards Supported Training for Employed Workers

Two-thirds of the local workforce boards reported performing tasks that facilitated the provision of employed worker training, such as partnering with employers to develop training proposals and providing individual services to employed workers. For example, one workforce board helped a local manufacturer obtain a state grant to retrain its employees through a project to upgrade skills. Another workforce board helped a local company by arranging English as a Second Language (ESL) classes for its employees through a community college. Other workforce boards helped employed workers establish individual training accounts with eligible training providers. However, some workforce boards responded that they did not specifically target training for employed workers because their overall funds were so limited that such training was not a priority. Several respondents explained that their clients were served based on need and that individuals with jobs were not a priority for services because of the sizeable unemployed population served by the workforce boards.

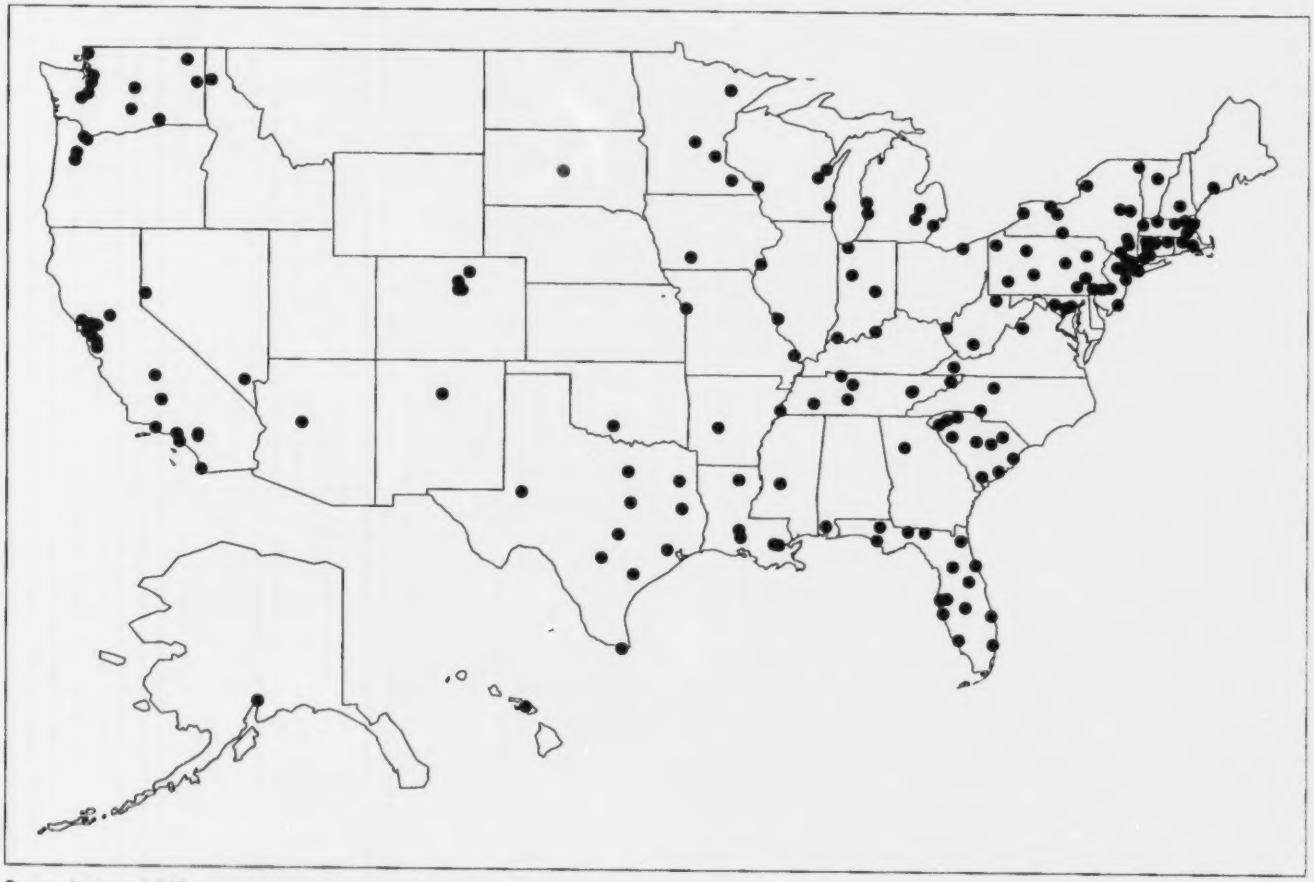
[18]National Governors' Association Center for Best Practices, *Lessons from State Demonstration Projects: A Guide to Incumbent Worker Training* (Washington, D.C., 1999) and *A Comprehensive Look at State-Funded, Employer-Focused Job Training Programs* (Washington, D.C., 1999).

Nearly 40 percent of the local workforce boards responding to our survey specifically targeted funds for employed worker training.[19] The number of boards that reported budgeting or spending funds on such training in program years 2000 or 2001 varied by state. (See fig. 1.) Most states had at least one workforce board that targeted funds for such training.[20] Furthermore, a greater percentage of workforce boards reported funding such training in program year 2001 than in the previous year. Of all the workforce boards responding to our survey, 22 percent reported spending funds specifically for training employed workers in 2000 and 31 percent reported spending funds on training these workers in 2001. When they funded training for employed workers, local workforce boards reported doing so in a variety of ways. For example, in cooperation with the economic development office, one workforce board in West Virginia worked with local businesses to identify and fund training programs to meet their business needs. At a workforce board we visited in Texas, officials received a competitive state grant to fund employed worker training to meet critical statewide industry needs in health care, advanced technology, and teaching.

[19]Our survey asked local workforce boards to identify if they had, since July 1, 2000, budgeted or spent any funding, including funding from federal, state, local or other sources, to target training for employed workers. Other than asking for some general funding information, economic sectors or industry clusters targeted, types of training, and providers for employed worker training, we did not ask the boards to further describe how the funds were spent. Some respondents did, however, provide additional comments on their efforts to provide employed worker training.

[20]For additional information on the number of boards, by state, that targeted funds for training employed workers, see app. II.

Figure 1: Map of 50 States Showing Local Workforce Boards That Reported Funding Training Specifically for Employed Workers in Program Year 2000 or 2001



Source: Analysis of GAO survey of local workforce boards.

Some local workforce boards that had not specifically targeted training for employed workers were planning to become involved in such training or had begun discussions about developing policies for this type of training. For example, a workforce official in California cited plans to use $95,000 from a federal grant to train employed workers in information technology. Another workforce board, in Minnesota, planned to open a training center for employed workers that would focus on business needs within the local community, such as health care, and provide training through a local community college.

States Funded Training for Employed Workers, Usually through Two or More Offices

All of the 16 states we contacted funded training for employed workers. In most of the 16 states, training for employed workers was not limited to the efforts of a single state office, but was funded by two or more state offices with training responsibilities. In fact, in 8 states, all three offices we contacted funded training for employed workers. In addition to offices responsible for workforce development, economic development, and TANF funds used for education and training, state officials also identified education departments—including those of higher education—within their states as important funding sources for training employed workers. In New York, for example, training funds were spread across about 20 state agencies, according to one state official.

When more than one office within a state funded training for employed workers, most state offices reported coordinating their training efforts both formally and informally. Formal coordination methods that state officials cited included workgroups and advisory boards (15 states), memoranda of understanding or mutual referral agreements between offices (12 states), or coordinated planning (12 states). For example, Indiana's economic development office noted that it had formal linkages with the workforce office and that they collaborated on a lifelong learning project.[21] Offices in 9 of the 16 states also cited other means of coordination, such as having common performance measures. For example, Oregon's workforce development office reported that state agencies were held to a set of statewide performance measures. In addition to these formal methods of coordination, all states cited informal information sharing as a key means of coordination among offices within their state. For example, an economic development official in one state said he used his telephone speed dial to contact his workforce development colleague, and a workforce development official in another state told us she had frequent working lunches with the state official responsible for TANF funds used for education and training.

In addition, in a few states, offices jointly administered training programs within their states. In New York, for example, workforce development and economic development offices comanaged a high-skill training grant program for new and employed workers using $34 million in state general revenue funds over 3 years. For this training program, begun in July

[21]The mission of lifelong learning in this context is to develop the skills that workers need to meet current and future work demands. In Indiana, this program was designed to provide financial assistance to companies and organizations committed to expanding the skills of their existing workers.

2001, both offices reviewed training proposals, and the workforce department created contracts and reimbursed companies for part of the training costs. Similarly, in Pennsylvania, five departments—Labor and Industry, Public Welfare, Community and Economic Development, Education, and Aging—jointly administered an industry-specific training grant initiative that primarily funded training for low-wage health care workers. This joint effort represented a new approach for Pennsylvania, because previously the economic development office was responsible for training that was tailored, or customized, to employers. Under this joint program, a state committee with representatives from each of the five departments reviewed grant proposals and each agency funded a portion of approved grants.

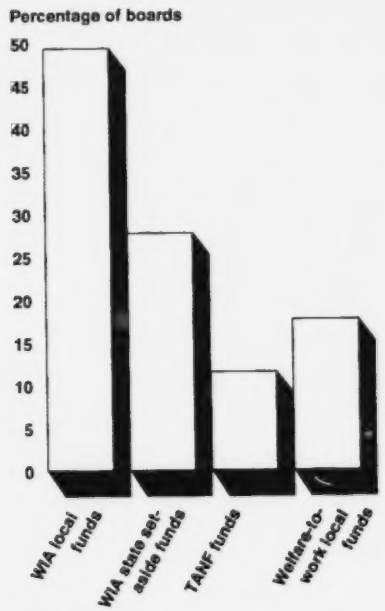
Finally, several states had reorganized their workforce responsibilities and funding, either by consolidating workforce development and economic development responsibilities or combining responsibilities for WIA and TANF funds. For example, Montana and West Virginia transferred WIA responsibilities and funding from the workforce office to the economic development office. According to state officials, this approach was intended to better align and integrate workforce and economic development goals for the state. In Texas, the workforce commission—which was created in 1995 to consolidate 10 agencies and 28 programs—was responsible for WIA and TANF block grants, among others. In Florida, a public-private partnership, governed by the state's workforce board, became responsible in October 2000 for all workforce programs and funds in the state, including WIA, TANF, and Welfare-to-Work grant funds; this shift was intended to create a better link between workforce systems and businesses in the state.

Few state officials or local workforce boards were able to report the number of low-wage workers who participated in training, for various reasons. For example, some officials told us they did not categorize training participants by wage. Other officials reported that, although they targeted low-wage workers for training, they did not categorize training participants by employment status. Although states we contacted could not always provide us with the number of low-wage workers participating in training, 13 of 16 states we contacted reported that they funded training targeted to low-wage workers. Additionally, when WIA funds are limited, states and local areas must give priority for adult intensive and training services to recipients of public assistance and other low-income individuals.

WIA and Other Federal Funds Were the Most Common Sources of Funding for Training Employed Workers

Local workforce boards reported that WIA and other federal funds were the most common source of funds used to support employed worker training. Federal funding for these training efforts included WIA funding—both local and the state set-aside portion—TANF funds, and local Welfare-to-Work funds. (See fig. 2.) In addition, local boards described various other important funding sources such as Labor's demonstration grants for training employed workers and the federal skills training grants intended to train workers in high-demand occupations.

Figure 2: Key Sources of Federal Funding Used by Local Workforce Boards That Funded Training for Employed Workers, Program Year 2001



Source: Analysis of GAO survey of local workforce boards.

Note: Percentages are based on 148 local workforce boards responding to our survey that reported specifically targeting funds for employed worker training. Respondents were asked to identify all applicable types of funding sources.

For those local workforce boards spending funds specifically for training employed workers, their allocation of local WIA funds most often paid for these training efforts, and more reported using local WIA funds in program

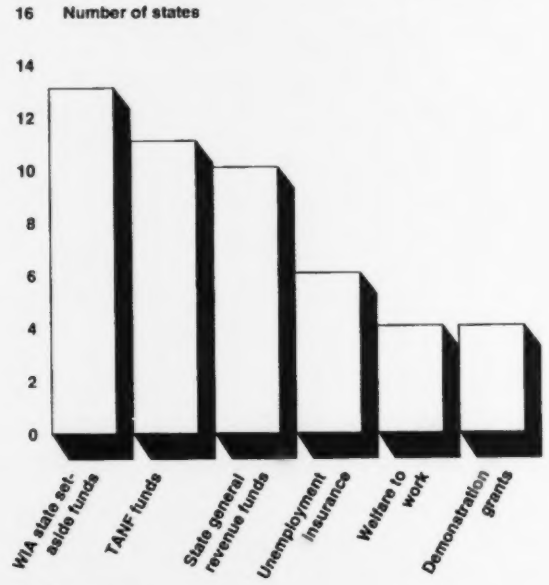
year 2001 than in the previous year.[22] However, while nearly all workforce boards responding to our survey were aware that WIA allowed funds to be used for training employed workers, some reported that there were too many priorities competing for the WIA funds. Two local officials also noted that the federal funds allocated to states under WIA—the state set-aside funds—in their states were awarded competitively, which made it difficult to consistently serve employed workers because they were uncertain that they would receive these grants in the future.

Local workforce boards also combined funding from several sources—including federal, state, local and foundation support—to train employed workers. For example, one workforce board in Pennsylvania combined $50,000 in funds from the state WIA set-aside with about $1.8 million from the state's community and economic development department to fund such training. Although financial support from local entities or foundations was available to a lesser extent, some workforce boards were able to mix these with funds from other sources. For example, in California, one workforce board funded training for employed workers with a combination of foundation grants and fees for services from training for employers in addition to TANF funds, Welfare-to-Work and other competitive grants from Labor, and state funds.

States reported that WIA and other federal funds were the most common sources of funding used for training employed workers. (See fig. 3.) Twelve of the 16 states we contacted used three or more sources of funds for this purpose. Of the 16 states we contacted, 13 used their WIA state set-aside funds for training employed workers. For example, in Texas, nearly $11 million was awarded competitively to 10 local workforce boards, and the state projected that over 9,000 employed workers would receive training. Eleven states also used TANF funds to train employed workers. States also reported using state general revenue funds, funds related to Unemployment Insurance (UI) trust funds, such as penalty and interest funds or add-ons to UI taxes, and funds from other sources such as community development block grants or state lottery funds. (See table in app. III.)

[22]In our mail survey, year 2000 referred to the program year beginning July 1, 2000, and ending June 30, 2001; year 2001 referred to the program year July 1, 2001, to the time that the survey was completed—either several weeks prior to the end of the program year or the end of that year, June 30, 2002. The surveys were mailed on April 24, 2002, and the survey was closed on August 16, 2002.

Figure 3: Key Sources of Funding for Employed Worker Training Used in Program Years 2000 and/or 2001 by 16 States We Contacted



Source: Analysis of GAO interviews with state officials in 16 states.

Training for Employed Workers Focused on Addressing Business Needs and Certain Workplace Skills

In their training initiatives for employed workers, states and local workforce boards focused on training that addressed specific business needs and emphasized certain workplace skills. States and local workforce boards gave priority to economic sectors and occupations in demand, considered economic factors when awarding grants, and funded training that was tailored or customized to specific employers. States and local workforce boards focused most often on training provided by community or technical colleges that emphasized occupational skills and basic skills.

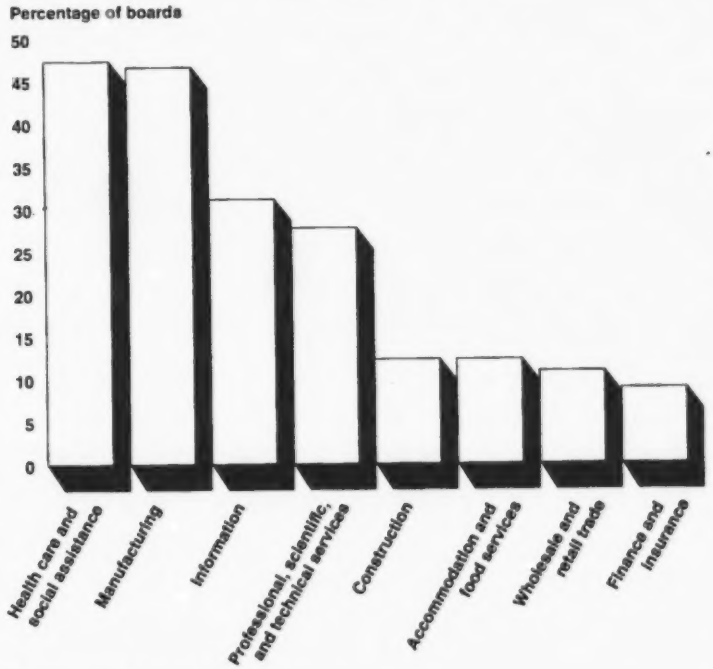
States and Local Workforce Boards Often Focused on Business Needs in Funding Training

Most of the 16 states we contacted focused on certain economic sectors or occupations in which there was a demand for skilled workers.[23] Twelve states had at least one office, usually the economic development office, which targeted the manufacturing sector for training initiatives. States also targeted the health care and social assistance sector (which includes hospitals, residential care facilities, and services such as community food services) and the information sector (which includes data processing, publishing, broadcasting, and telecommunications). New York took a sector-based approach to training by funding grants to enable employees to obtain national industry-recognized certifications or credentials, such as those offered through the computer software or plastics industries. Other training programs focused on occupations in demand. For example, in Louisiana, two state offices funded training that gave preference to occupations with a shortage of skilled workers, such as computer scientists, systems analysts, locomotive engineers, financial analysts, home health aides, and medical assistants.

Of the 148 local workforce boards that specifically funded training for employed workers in 2001, the majority of workforce boards targeted particular economic sectors for training these workers. As with the states, most often these sectors were health care or manufacturing. (See fig. 4.) For example, workforce boards we visited in Florida, Minnesota, Oregon, and Texas became involved in funding or obtaining funding for local initiatives to train health care workers, such as radiographers and certified nursing assistants, that hospitals needed.

[23]In obtaining information from states and local boards on economic sectors, we used the terms for these sectors as defined under the new North American Industry Classification System (NAICS), which replaced the previous industry classification system starting in 1997. NAICS groups industries into 20 broad economic sectors, several of which are new. Two of these new sectors are Information, consisting of 34 industries that produce information and cultural products, disseminate information or products, and process data; and Health Care and Social Assistance, consisting of 39 industries, most of them new, such as diagnostic imaging centers and community food services.

Figure 4: Economic Sectors Targeted by Local Workforce Boards That Funded Training for Employed Workers in Program Year 2001



Source: Analysis of GAO survey of local workforce boards.

Note: Thirteen of the 148 local workforce boards who said that they specifically funded worker training did not specify whether they funded training in a specific economic sector. Percentages are based on local workforce boards responding to our survey that reported specifically targeting funds for employed worker training. Respondents were asked to identify all applicable sectors.

Some states considered local economic conditions, such as unemployment rates, in their grant award criteria in addition to, or instead of, giving priority to certain economic sectors and occupations. For example, California's Employment Training Panel must set aside at least $15 million each year for areas of high unemployment. Similarly, in Illinois and Indiana, the state economic development offices considered county unemployment or community needs in awarding training funds. Florida's workforce training grants gave priority to distressed rural areas and urban enterprise zones in addition to targeting economic sectors.

In addition, most state economic development offices (13 of 16) and more than half of the state workforce development offices (9 of 16) we

contacted funded training that was tailored or customized to specific employers' workforce needs. For economic development offices, such customized training was not new: these offices have typically funded training for specific companies as a means of encouraging economic growth within their states, and in some cases have done so for a long time. For example, California has funded training tailored to specific employers' needs since 1983 through its Employment Training Panel. This program spent $86.4 million in program year 2000 to train about 70,000 workers; nearly all of them were employed workers according to state officials. However, for many state workforce development offices, funding customized training was a shift in their approach to workforce training, one that could strengthen the links between employees and jobs. With customized training, local employers or industry associations typically proposed the type of training needed when they applied for funding and often selected the training providers. Examples of customized training initiatives sponsored by workforce development offices include the following:

- In Indiana, the state workforce office has sponsored a high-skills, high-wage training initiative since 1998 to meet employers' specific needs for skilled workers in information technology, manufacturing, and health. This effort is part of a statewide initiative for lifelong learning for the existing workforce.
- In Hawaii, the workforce office established a grant program for employer consortiums to develop new training that did not previously exist in the state.
- In Louisiana, the workforce office has funded a training program customized for employers who had been in business for at least 3 years. It required that the company provide evidence of its long-term commitment to employee training.

In the states we contacted, many customized training programs required that grant applicants—usually employers—create partnerships with other industry or educational organizations. For example, Oregon's workforce development office required local businesses to work with educational partners in developing grant proposals. One local workforce board we visited in Oregon collaborated with a large teaching hospital and its union to obtain funding for training hospital employees, and local one-stop staff partnered with nursery consortia and community colleges to obtain funds to upgrade the skills of agricultural workers. Similarly, in its high-skill training grant program, New York's workforce development office required employers to form partnerships with labor organizations, a consortium of employers, or local workforce investment boards.

In at least 11 of the 16 states we contacted, the programs also required employers to provide matching funds for training employed workers, which can help offset costs to the state for training as well as indicate the strength of the employers' commitment to training. States that had requirements for matching funds—often a one-for-one match—included Indiana, Minnesota, Montana, New Hampshire, New York, Oregon, Pennsylvania, Tennessee, Texas, Utah, and West Virginia. Utah's economic development office required a lower match from rural employers, and Indiana's match varied case-by-case. Sometimes states required other kinds of corporate investments as a condition for obtaining funds for training employees. For example, in Tennessee, companies participating in a job skills training program for high technology jobs were required to make a substantial investment in new technology. In addition, several states included certain requirements in their eligibility criteria to address potential concerns about whether public funds were being used to fund training that businesses might otherwise have funded themselves. For example, in Louisiana and West Virginia, the workforce office requires employers to provide evidence satisfactory to the office that funds shall be used to supplement and not supplant existing training efforts.

Employed Worker Training Focused on Occupational and Basic Skills Training Provided by Community and Other Colleges

Although states reported funding many types of training for employed workers, occupational skills training and basic skills training were the most prevalent.[24] Fifteen of the 16 states we contacted funded occupational skills training—such as learning new computer applications—for employed workers. In Tennessee, for example, the economic development office spent more than $27 million of state funds in program years 2000 and 2001 on a job skills training initiative for workers in high-skill, high-technology jobs, according to a state official.[25] Nearly all states also reported funding basic skills training, including in basic math skills and ESL, for employed workers with low levels of education. For

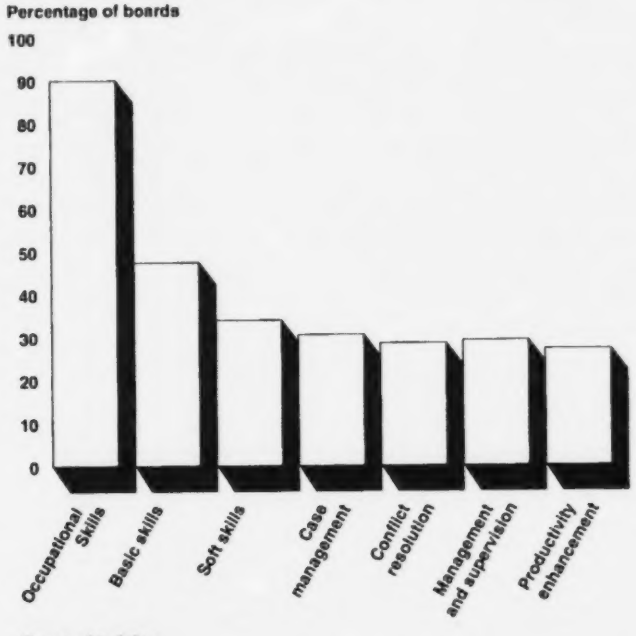
[24]In addition to occupational skills and basic skills training, states frequently identified conflict resolution/team building/negotiation (14 of 16 states) and productivity enhancement or quality assurance training (14 of 16 states) as types of training they funded. This emphasis may reflect the historic focus of states' economic development offices on skills training that fosters economic competitiveness and growth.

[25]According to the state official we interviewed, a small portion of the unemployment insurance fund is allocated to the department's job skills training initiative. If the trust fund falls below $750 million, this money is not allocated to training. Since January 2002, no unemployment insurance funds were allocated to training since the fund has fallen below that level.

example, Texas funded ESL training in workplace literacy primarily for Vietnamese and Spanish speaking workers participating in health care training.

Local workforce boards also reported funding many types of training; however, occupational skills training was most frequently provided to employed workers. (See fig. 5.) For example, of the local workforce boards that spent funds to train employed workers, in program year 2001, 90 percent funded occupational training to improve and upgrade workers' skills. Forty-seven percent of the local workforce boards also funded, in program year 2001, basic skills training for employed workers. The next most prevalent type of training funded for employed workers was in soft skills, such as being on time for work, and 34 percent of local workforce boards funded this type of training in program year 2001.

Figure 5: Types of Training Funded by Local Workforce Boards That Funded Training for Employed Workers in Program Year 2001

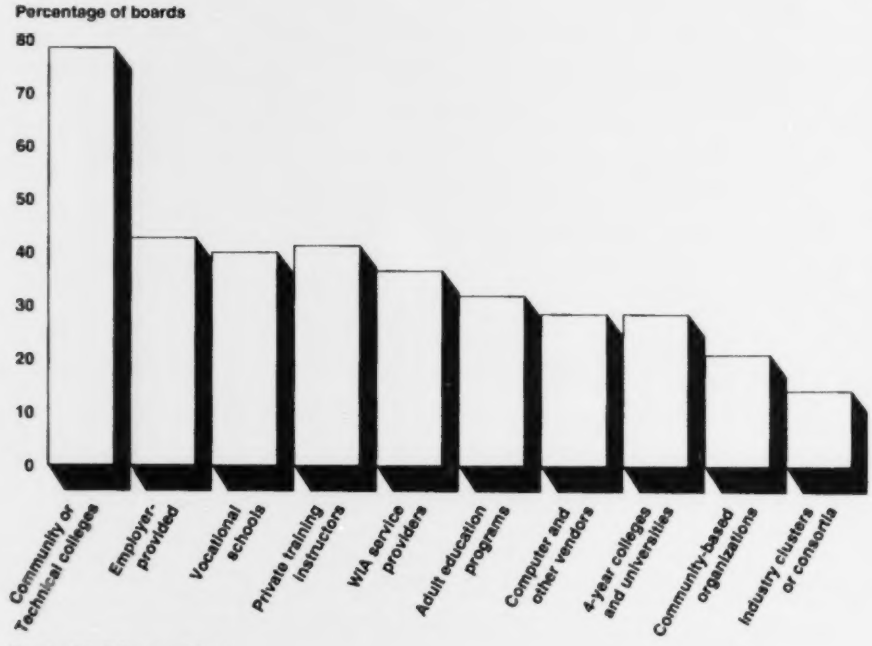


Source: Analysis of GAO survey of local workforce boards.

Note: Six of the 148 respondents who said that they specifically funded worker training did not specify the types of training they funded. Percentages are based on local workforce boards responding to our survey that reported specifically targeting funds for employed worker training. Respondents were asked to identify all applicable types of training.

Community or technical colleges were often used to train employed workers, according to both state and local officials we contacted. For example, 78 percent of local workforce boards that spent funds to train employed workers reported that community or technical colleges were training providers in program year 2001. (See fig. 6.) State and local workforce officials also cited using private training instructors and employer-provided trainers, such as in-house trainers.

Figure 6: Types of Training Providers Used by Local Workforce Boards That Funded Training for Employed Workers in Program Year 2001



Source: Analysis of GAO survey of local workforce boards.

Note: Eight of the 148 respondents who said that they specifically funded worker training did not specify the types of training providers used. Percentages are based on local workforce boards responding to our survey that reported specifically targeting funds for employed worker training. Respondents were asked to identify all applicable types of training providers.

In Targeting Training to Low-Wage Workers, Officials Addressed Several Challenges, though WIA Performance Measures Were an Issue

In targeting training to low-wage workers, state and local officials addressed several challenges that hindered individuals' and employers' participation in training. Workforce officials developed ways to address the personal challenges low-wage workers faced that made participating in training difficult. In addition, workforce officials we visited identified ways to address employer reluctance to support training efforts. Despite attempts to address these issues, however, challenges to implementing successful training still exist. For example, state and local officials reported that the WIA performance measure that tracks adult earnings gain and certain funding requirements that accompany some federally funded training programs, may limit training opportunities for some low-wage workers.

Officials Found Ways to Accommodate Low-Wage Workers' Needs

State and local officials developed a number of approaches to overcome some of the challenges faced by low-wage workers. They noted that many low-wage workers have a range of personal challenges—such as limited English and literacy skills, childcare and transportation needs, scheduling conflicts and financial constraints, and limited work maturity skills—that made participating in training difficult. However, many officials also reported several approaches to training low-wage workers.

Offering workplace ESL and literacy programs were some approaches used by officials to address limited English and literacy skills among low-wage workers. For example, one workforce board in Minnesota used a computer software program to develop literacy among immigrant populations. Another state workforce official in Oregon reported customizing ESL to teach language skills needed on the job. In addition, some of the employers we visited provided training to their employees in their native language or taught them vocational ESL.[26] Officials we visited in Texas offered a 5-week vocational ESL course before the start of the certified nursing assistant training program primarily to help prepare Vietnamese and Spanish speaking students who were not fluent in English.

Many low-wage workers faced challenges securing reliable transportation and childcare, particularly in rural areas and during evening hours. Several state and local officials noted that assisting low-wage workers with transportation and childcare enabled them to participate in training. One program in Florida provided childcare and transportation to TANF-eligible clients. In Minnesota, local officials told us that they provided transportation for program participants. Participants used the agency's shuttle bus free-of-charge until they received their second paycheck from their employer. After the second paycheck, the individual paid a fee for the shuttle and was encouraged and supported in finding transportation on their own.

Providing on-site, paid, or flexible training were methods used to address scheduling conflicts and financial constraints experienced by low-wage workers. Many workforce boards that identified approaches on our survey cited various methods of providing training to low-wage workers that helped officials address some of the challenges faced by low-wage

[26]Vocational ESL refers to a type of English language training for speakers whose language is not English that focuses on vocabulary used in specific vocations. For example, vocational ESL for a certified nursing assistant would focus on medical terminology.

workers. These methods included offering training at one-stops or through distance learning and teleconferencing courses. For example, an employer in California paid employees for 40 hours of work, but allowed 20 hours of on-site training during that time. In addition, some hospitals permitted flexible schedules for employees who sought additional training for career advancement.

Offering additional assistance and incentives were approaches identified by officials for improving low-wage workers' limited work maturity skills such as punctuality and appropriate dress. Officials we visited in Texas reported that they helped low-wage workers develop better skills for workplace behavior. For example, they helped clients understand the need to call their employer if something unexpected happens, like a flat tire, that prevents them from coming to work. In addition, another workforce board in West Virginia reported that they provided a $50.00 incentive to the employee for perfect attendance during the first 6 weeks of work.

Officials Identified Ways to Gain Employer Support for Low-Wage Worker Training

State and local officials developed a number of ways to address the concerns of employers who were reluctant to participate in low-wage worker training. According to state and local officials, employers' reservations about participation stemmed from different concerns, including the fears that better trained employees would find jobs elsewhere. Officials reported that other employers were hesitant to participate in low-wage worker training because of paperwork requirements or the time and expertise they believed were involved in applying for state training grants. Despite these concerns, state and local officials identified approaches to encourage employer participation.

According to officials we contacted, some employers said that if their employees participated in training, they would seek jobs elsewhere. Officials addressed this perception by forming partnerships with employers and educators and offering training that corresponded to specific career paths within a company. For example, a workforce board we visited in Oregon partnered with a local nursery, a landscaping business, and a community college to train entry-level workers in agriculture and landscaping to move up into higher-skilled and better paying positions at the same company. These career paths also addressed the concern, expressed by some employers, that too few employees were qualified to fill positions beyond the entry level. Officials found other ways to alleviate employers' fears. Officials in Oregon encouraged trainees at a hospital to stay with their current employer by requiring them to sign a statement of intent regarding training. The hospital trained employees

after they signed an agreement that asked for a commitment that they remain with the employer for a specific amount of time in return for training.

State and local officials noted that some employers were also reluctant to have their employees participate in government-funded training programs because they believed that certain data collection and reporting requirements were cumbersome. For example, state workforce officials we contacted reported that some employers found it difficult to get employees to fill out a one-page form regarding income as required to determine eligibility for certain funds, such as TANF. In an effort to ease the funding paperwork burden, state officials we contacted in West Virginia were working towards reducing the application paperwork required for employers to obtain worker-training dollars.

Workforce officials also reported that some employers were hesitant to apply for federally funded training grants because they believed that they did not have the time or the expertise to apply for such grants. To address this, workforce officials we visited in Oregon worked with union representatives and training providers to co-write training grant proposals. The workforce officials we visited told us that the involvement of the union was a key factor in the training initiative's success. Prior to this cooperative effort, the employer had not been responsive to workers' needs and the involvement of the union helped to bridge the gap between worker and employer needs.

Performance Measures and Other Funding Requirements May Limit Training Opportunities for Low-Wage Workers

State and federal funding requirements—such as WIA performance measures, time limits, and participant eligibility—may limit training opportunities for some low-wage workers. Under WIA, performance measures hold states accountable for the effectiveness of the training program. If states fail to meet their expected performance levels, they may suffer financial sanctions. State funding regulations for some training initiatives, such as TANF-funded projects, required the funds to be used within a specific time period. Because local areas must wait for states to allocate and disburse the funding, local officials sometimes had less than 1 year to use the funding. Finally, individuals are sometimes eligible for services based on their income, especially for TANF or WIA local funds. Depending on the level at which local areas set eligibility requirements, some low-wage workers may earn salaries that are still too high to be eligible for services provided by these training funds.

WIA established performance measures to provide greater accountability and to demonstrate program effectiveness. These performance measures gauge program results in areas such as job placement, employment retention, and earnings change. (See table 1.) Labor holds states accountable for meeting specific performance outcomes. If states fail to meet their expected performance levels, they may suffer financial sanctions; if states meet or exceed their levels, they may be eligible to receive additional funds. A prior GAO report noted that the WIA performance levels are of particular concern to state and local officials.[27] If a state fails to meet its performance levels for one year, Labor provides technical assistance, if requested. If a state fails to meet its performance levels for two consecutive years, it may be subject to up to a five percent reduction in its annual WIA formula grant. Conversely, if a state exceeds performance levels it may be eligible for incentive funds.

Table 1: WIA Performance Measures for Adults and Dislocated Workers

Adults	Definition
Entered employment rate	Of those who did not have a job when they registered for WIA, the percentage of adults who got a job by the end of the 1st quarter after exit. This measure excludes participants who are employed at the time of registration.
Employment retention rate at 6 months	Of those who had a job in the 1st quarter after exit, the percentage of adults who have a job in the 3rd quarter after exit.
Average earnings change in 6 months	Of those who had a job in the 1st quarter after exit, the postprogram earning increases as compared with pre-program earnings
Employment and credential rate	Of those who received WIA training services, the percentage who were employed in the 1st quarter after exit and received a credential by the end of the 3rd quarter after exit.

Source: GAO.

State and local officials reported that the WIA performance measure that tracks the change in adult earnings after six months could limit training opportunities for employed workers, including low-wage workers. Some workforce officials were reluctant to register employed workers for

[27]In this report, we noted that, as a result, only individuals who are most likely to be successful might be served. In addition, we reported that the need to meet performance measures might be the driving factor in deciding who receives WIA-funded services at the local level. See U.S. General Accounting Office, *Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness*, GAO-02-275 (Washington, D.C.: Feb. 1, 2002).

training because the wage gain from unemployment to employment tended to be greater than the wage gain for employed workers receiving a wage increase or promotion as a result of skills upgrade training. For example, a state official from Indiana noted that upgrading from a certified nursing assistant to the next tier of the nursing field might only increase a worker's earnings by 25 cents per hour. Yet, for the purposes of performance measures, workforce boards may need to indicate a change in earnings larger than this in order to avoid penalties. For example, one workforce official from Michigan reported that the performance measure requires the region to show an increase that equates to a $3.00 per hour raise. In a previous GAO study, states reported that the need to meet these performance measures may lead local staff to focus WIA-funded services on unemployed job seekers who are most likely to succeed in their job search or who are most able to make wage gains instead of employed workers.[28]

Time limits for some funding sources were a challenge for some officials trying to implement training programs, according to some state and local workforce officials. In Florida, for example, officials we visited reported that they had a state-imposed one-year time limit for using TANF funds for education and training, which made it difficult for officials to plan a training initiative, recruit eligible participants, and successfully implement the training program. Similarly, state and local officials we contacted in Oregon expressed frustration with the amount of effort required to ensure the continuation of funding for the length of their training initiative. They noted that funding for a one-year training grant for certified medical assistants and radiographers expired seven months before the training program ended. The local workforce board identified an approach to fund the training for the remainder of the program by using other funding sources. Although this workforce board was able to leverage other funds, this solution is not always feasible.

Finally, several officials reported that eligibility requirements for the WIA local funds are a challenge because they might exclude some low-wage workers from training opportunities. States or local areas set the income limit for certain employment and training activities by determining the wage level required for individuals to be able to support themselves. When funds are limited, states and local areas must give priority for adult intensive and training services to recipients of public assistance and other

[28]See GAO-02-275.

low-income individuals. Officials on several workforce boards said that these eligibility guidelines for their local areas, particularly the income limit, made it challenging to serve some low-wage workers. For example, local workforce board officials from California indicated that they would like more flexibility than currently allowed under state WIA eligibility requirements to serve clients who may earn salaries above the income limit. The officials noted that some workers in need of skills upgrade could not be served under WIA because they did not qualify based on their income. To address this challenge, officials we visited at a local workforce board in East Texas told us that they set the income limit high enough so that they can serve most low-wage workers in their area.

Conclusions

As of program year 2001, many states and local workforce boards were beginning to make use of the flexibility allowed under WIA and welfare reform to fund training for employed workers, including low-wage workers. They used WIA state set-aside funds and local funds, as well as TANF and state funds, as the basis for publicly funded training for employed workers. In addition, they considered business needs in determining how these funds were used to train employed workers. Consequently, training for employed workers could better reflect the skills that employers need from their workforce in a rapidly changing economy. In addition, such skills may help employees better perform in their jobs and advance in their careers.

Training for employed workers is particularly critical for workers with limited education and work skills, especially those earning low wages. For such workers, obtaining training while employed may be critical to their ability to retain their jobs or become economically self-sufficient. While training low-wage workers involves particular challenges, workforce and other officials have developed ways to implement training initiatives for low-wage workers that may help mitigate some of these challenges. This is especially necessary in the economic downturn following the boom in the 1990s when TANF and WIA were created.

However, WIA's performance measure for the change in average earnings may create a disincentive for states and local workforce boards to fund training for employed workers because employed workers, particularly low-wage workers, may be less likely than unemployed workers to significantly increase their earnings after training. To the extent that state and local workforce investment areas focus on unemployed workers to ensure that they meet WIA's performance measure for earnings change—and thereby avoid penalties—employed workers, and especially low-wage

workers, may have a more difficult time obtaining training that could help them remain or advance in their jobs. As currently formulated, this performance measure supports earlier federal programs' focus on training unemployed workers and does not fully reflect WIA's new provision to allow federally funded training for employed workers.

Recommendation for Executive Action

To improve the use of WIA funds for employed worker training, we recommend that the Secretary of Labor review the current WIA performance measure for change in adult average earnings to ensure that this measure does not provide disincentives for serving employed workers. For example, Labor might consider having separate average earnings gains measures for employed workers and unemployed workers.

Agency Comments

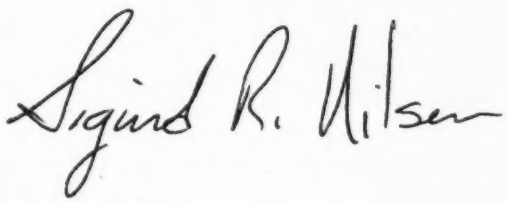
We provided the Departments of Labor and Health and Human Services with the opportunity to comment on a draft of this report. Formal comments from these agencies appear in appendixes IV and V.

Labor agreed with our findings and recommendation to review the current WIA performance measure for change in the adult average earnings to ensure that the measure does not provide disincentives for serving employed workers. Labor stated that, in May 2002, the department contracted for an evaluation of the WIA performance measurement system and noted that one of the objectives of the evaluation is to determine the intended and unintended consequences of the system. Labor believes that GAO's suggestion to have separate measures on earnings gains for employed workers would be an option to consider for improving WIA performance.

HHS also agreed with the findings presented in our report and noted that the information in GAO's report would help states develop and enhance appropriate worker training programs, and provide services and supports that address the barriers to such training.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time we will send copies of this report to relevant congressional committees, and other interested parties. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

Please contact me on (202) 512-7215 if you or your staff have any questions about this report. Other GAO contacts and staff acknowledgments are listed in appendix IV.



Sigurd R. Nilsen
Director, Education, Workforce,
Income Security

Appendix I: Objectives, Scope, and Methodology

To provide the Congress with a better understanding of how states and local areas were training employed workers, including low-wage workers, we were asked to determine (1) the extent to which local areas and states provide assistance to train employed workers, including funding training; (2) the focus of such training efforts and the kind of training provided; and (3) when targeting training to low-wage workers, the approaches state and local officials identified to address the challenges in training this population.

To obtain this information, we conducted a nationwide mail survey of all local workforce investment boards, conducted semistructured telephone interviews with state officials, and visited four states. We conducted a literature search and obtained reports and other documents on employed worker training from researchers and federal, state, and local officials. To obtain information about the federal role in employed worker training, we met with officials from the departments of Labor, Health and Human Services (HHS), and Education. In addition, we interviewed researchers and other workforce development training experts from associations such as the National Governors' Association, National Association of Workforce Investment Boards, U. S. Chamber of Commerce, and American Society for Training and Development.

Nationwide Survey of Local Workforce Investment Boards

To document local efforts to train employed workers, we conducted a nationwide mail survey, sending questionnaires to all 595 local workforce boards. We received responses from 470 boards, giving us a 79 percent response rate. Forty-five states had response rates of 60 percent or more, and 17 states, including all states with a single workforce board, had response rates of 100 percent.[1] The mailing list of local workforce boards was compiled using information from a previous GAO study of local youth councils,[2] and directories from the National Association of Workforce Investment Boards and the National Association of Counties. The survey questionnaire was pretested with 6 local workforce boards and revised based on their comments. Surveys were mailed on April 24, 2002, follow-ups were conducted by mail and phone, and the survey closing date was August 16, 2002. We reviewed survey questionnaire responses for

[1]This includes Puerto Rico and the District of Columbia.

[2]*Workforce Investment Act: Youth Provisions Promote New Service Strategies, but Additional Guidance Would Enhance Program Development*, GAO-02-413 (Washington, D.C.: Apr. 5, 2002).

consistency and in several cases contacted the workforce boards to resolve inconsistencies but we did not otherwise verify the information provided in the responses. In the survey, we collected data for the WIA program years 2000 (from July 1, 2000—June 30, 2001) and 2001 (from July 1, 2001-June 30, 2002) so that we could compare and perceive trends. We analyzed these data by calculating simple statistics and by performing a content analysis in which we coded responses to open-ended questions for further analysis.

Because our national mail survey did not use probability sampling, there are no sampling errors. However, the practical difficulties of conducting any survey may introduce other types of errors, commonly referred to as non-sampling errors. For example, differences in how a particular question is interpreted, the sources of information available to respondents, or the characteristics of people who do not respond can introduce unwanted variability into the survey results. We included steps in both the data collection and data analysis stages to minimize such non-sampling errors. For example, survey specialists in combination with subject matter specialists designed our questionnaire; we pretested the questionnaire to ensure that questions were clear and were understood by respondents; and to increase our response rate for the mail survey, we made a follow-up mailing and called local workforce investment boards that did not respond by a specified date.

Semistructured Telephone Interviews

To determine state efforts to train employed workers, including low-wage workers, we conducted semistructured telephone interviews in 16 judgmentally selected states with state officials responsible for workforce development, economic development, and TANF funds used for education and training. We selected these states in part because they were geographically dispersed and represented about one-half of the U.S. population.

In addition, we selected these states because between 1998 and 2001, most of them used federal funds available for training employed workers, including demonstration and planning grants, which potentially indicated the state's interest in training these workers. Thirteen of the selected states received States' Incumbent Worker System Building Demonstration Grants in 1998 from the Department of Labor; 10 of the selected states were identified in previous GAO work as having used WIA state set-aside funds for current worker training, and 8 of the selected states were among those receiving Employment Retention and Advancement (ERA)

demonstration grants from the Department of Health and Human Services. (See table 2.)

Table 2: States in Telephone Interview Sample—Population and Key Funding Sources

State	Population (April 1, 2000 Census data)	States using WIA governor's set-aside funds	DOL states' incumbent worker system building demonstration grants, June 1998	HHS ERA demonstration grants, as of fall 2001
California	33,871,648			X
Florida	15,982,378	X	X	X
Hawaii	1,211,537	X	X	
Illinois	12,419,293			X
Indiana	6,080,485	X	X	
Louisiana	4,468,976		X	
Minnesota	4,919,479		X	X
Montana	902,195	X	X	
New Hampshire	1,235,786	X	X	
New York	18,976,457	X	X[a]	X
Oregon	3,421,399	X	X	X
Pennsylvania	12,281,054		X	
Tennessee	5,689,283	X	X	X
Texas	20,851,820	X	X	X
Utah	2,233,169			
West Virginia	1,808,344	X	X[a]	
Total	**146,353,303**	**10**	**13**	**8**
Total U.S. population	**281,421,906**			

Sources: U.S. Census Data; Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program (GAO-02-274, Washington, D.C.: Feb. 11, 2002); Manpower Demonstration Research Corporation, New Strategies to Promote Stable Employment and Career Progression: An Introduction to the Employment Retention and Advancement Project (Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families, February 2002); data from Department of Labor.

[a]These states were awarded DOL System-Building Incumbent Worker Demonstration Grants, June 1998, but returned all (West Virginia) or did not accept (New York) the funds.

In each state, we interviewed state officials responsible for workforce development and economic development. We also interviewed state officials responsible for TANF funds used for education and training to obtain information about training for low-wage workers. To identify these state officials, we initially called the state contact for the WIA program. These officials then provided us with the names of officials or their designees who represented workforce development and economic development perspectives in their state. We similarly identified state officials responsible for TANF funds used for education and training. Since

states structure their programs and funding differently, sometimes state officials we interviewed were located in different agencies while others were located in different offices within the same agency. For this reason we used the term "office" throughout the report to represent their different perspectives.

We used survey specialists in designing our interview questions and pretested them in several states to ensure that they were clear and could be understood by those we interviewed. In our interviews, we asked state officials for information about training efforts for the program year 2000, which ended on June 30, 2001, and asked if there were any significant changes in program year 2001, which ended June 30, 2002. Our interviews with state officials were conducted between March and October 2002. In analyzing our interview responses from state officials, we calculated frequencies in various ways for all close-ended questions and arrayed and analyzed narrative responses thematically for further interpretation. We did not independently verify data, although we reviewed the interview responses for inconsistencies.

Site Visits

To obtain in-depth information about the challenges that local officials have experienced in developing and implementing training programs specifically for low-wage workers, and promising approaches they identified to address these challenges, we made site visits to four states–Florida, Minnesota, Oregon, and Texas. We selected these four states for site visits to provide geographic dispersion and because federal and state officials and other experts had identified these states as having specific efforts for training employed workers, especially initiatives to help low-wage workers retain employment and advance in their jobs. Furthermore, each of the four states received federal HHS Employment Retention and Advancement grants. In our view, these demonstration grants served as indications of the state's interest in supporting job retention and advancement, including training, for low-wage workers. We visited a minimum of two localities in each state, representing a mix of urban and rural areas in most cases. We chose local sites in each state on the basis of recommendations from state officials about training initiatives with a low-wage focus. Teams of at least three people spent from 2 to 4 days in each state. Typically, we interviewed local officials, including employers, one-stop staff, local workforce board staff, and training providers such as community colleges and private training organizations. We toured training facilities and observed workers and students receiving training. We also obtained and reviewed relevant documents from those we interviewed. (See table 3.)

Table 3: Site Visit States and Locations

State	Local sites
Florida	Jacksonville
	Palatka
Minnesota	Minneapolis
	Shakopee, Chaska
Oregon	Portland
	Clackamas County
Texas	Ft. Worth, Dallas
	Kilgore, Tyler

Source: GAO.

We reviewed surveys and telephone interview responses for consistency but we did not otherwise verify the information provided in the responses. Our work was conducted between October 2001 and December 2002 in accordance with generally accepted government auditing standards.

Appendix II: Workforce Boards' Survey Information

Table 4: Local Workforce Boards' Survey Response Rate and Number Targeting Funds for Employed Worker Training

State	Total surveys sent	Total surveys returned	Percentage returned	Of surveys returned, number of boards that targeted funds for employed worker training	Percentage of boards that targeted funds for employed worker training
Alabama	3	3	100	1	33
Alaska	2	2	100	1	50
Arizona	16	14	88	1	7
Arkansas	10	9	90	2	22
California	51	44	86	16	36
Colorado	9	8	89	4	50
Connecticut	8	8	100	6	75
Delaware	1	1	100	0	0
District of Columbia	1	1	100	0	0
Florida	24	21	88	15	71
Georgia	19	9	47	1	11
Hawaii	4	2	50	1	50
Idaho	6	5	83	1	20
Illinois	26	19	73	0	0
Indiana	16	10	63	4	40
Iowa	16	15	94	2	13
Kansas	5	4	80	0	0
Kentucky	11	9	82	1	11
Louisiana	18	15	83	5	33
Maine	4	4	100	1	25
Maryland	12	7	58	3	43
Massachusetts	16	13	81	9	69
Michigan	25	20	80	5	25
Minnesota	16	15	94	4	27
Mississippi	6	4	67	1	25
Missouri	14	14	100	4	29
Montana	2	2	100	0	0
Nebraska	3	2	67	0	0
Nevada	2	2	100	2	100
New Hampshire	1	1	100	1	100
New Jersey	17	13	76	5	38
New Mexico	4	2	50	1	50
New York	33	21	64	15	71
North Carolina	23	15	65	2	13
North Dakota	1	1	100	0	0
Ohio	8	3	38	1	33
Oklahoma	12	11	92	1	9

State	Total surveys sent	Total surveys returned	Percentage returned	Of surveys returned, number of boards that targeted funds for employed worker training	Percentage of boards that targeted funds for employed worker training
Oregon	7	6	86	4	67
Pennsylvania	22	17	77	10	59
Puerto Rico	15	8	53	4	50
Rhode Island	2	2	100	2	100
South Carolina	12	12	100	10	83
South Dakota	1	1	100	1	100
Tennessee	13	13	100	7	54
Texas	28	23	82	10	43
Utah	1	1	100	0	0
Vermont	1	1	100	1	100
Virginia	17	13	76	2	15
Washington	12	10	83	10	100
West Virginia	7	6	86	3	50
Wisconsin	11	7	64	4	57
Wyoming	1	1	100	0	0
Totals	**595**	**470**	**79%**	**184**	**39%**

Source: GAO survey of local workforce boards in the 50 United States, the District of Columbia, and Puerto Rico, August 2002.

Appendix III: Information on State Funding Sources

Table 5: Funding Sources Identified by Officials in 16 States That Were Budgeted or Spent for Employed Worker Training for WIA Program Years 2000 and/or 2001

State	WIA 15% state set aside	TANF	Welfare-to-work	State general revenue funds	Funds related to unemployment insurance	Demonstration grants -Labor or HHS	H-1B grant	Other
California	✓		✓		✓	a		
Florida	✓	✓				a		
Hawaii	✓	✓		✓				
Illinois			✓	✓		✓		
Indiana	✓	✓		✓	✓			✓
Louisiana	✓	✓	✓		✓			✓
Minnesota		✓		✓		a		
Montana	✓	✓						✓
New Hampshire	✓	✓		✓	✓	✓	✓	
New York	✓	✓		✓		a		
Oregon	✓	✓				✓		✓
Pennsylvania	✓	✓	✓	✓				
Tennessee	✓				✓	a		
Texas	✓	✓		✓	✓	✓		
Utah				✓				
West Virginia	✓			✓				✓
Total number of states	**13**	**11**	**4**	**10**	**6**	**4**	**1**	**5**

Source: Analysis of GAO interviews with state officials in 16 states.

[a]While these states were awarded Employment Retention and Advancement grants from HHS, state officials we contacted did not identify these grants as sources of funding for employed worker training.

Appendix IV: Comments from the Department of Health and Human Services

DEPARTMENT OF HEALTH AND HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

DATE: FEB 4 2003

TO: Sigurd R. Nilsen, Director
Education, Workforce, Income Security
U.S. General Accounting Office

FROM: Wade F. Horn, Ph.D.
Assistant Secretary
for Children and Families

SUBJECT: Comments on the GAO Draft Report: "WORKFORCE TRAINING: Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers" (GAO-03-353)

The Administration for Children and Families has reviewed and is providing general comments on the GAO Draft Report: "WORKFORCE TRAINING: Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers." We concur with the information provided in this document.

If you have any questions regarding our comments, please contact Mack Storrs, National Expert/Policy Advisor, Office of Family Assistance, on (202) 401-9289.

Attachment

COMMENTS OF THE ADMINISTRATION FOR CHILDREN AND FAMILIES ON THE GAO DRAFT REPORT: "WORKFORCE TRAINING: EMPLOYED WORKER PROGRAMS FOCUS ON BUSINESS NEEDS, BUT REVISED PERFORMANCE MEASURES COULD IMPROVE ACCESS FOR SOME WORKERS" (GAO-03-353).

General Comments

The Administration for Children and Families (ACF) appreciates the opportunity to comment on the General Accounting Office's (GAO) draft report on workforce training programs for employed workers.

The methodology is based on a mail survey of all local workforce investment boards, telephone interviews with 16 States and on-site visits in four States. The report describes the extent to which local workforce boards under the Workforce Investment Act (WIA) and State agencies under the Temporary Assistance for Needy Families (TANF) program provide training assistance to employed workers. The report also describes the focus of employed worker training, challenges to such training and innovative approaches to address the personal issues the low-wage workers face to participate in training. The GAO found that two-thirds of the local workforce boards help train employed workers and all 16 States fund training to help low-wage workers retain jobs, increase wages and achieve career advancement. Community or technical colleges are often used to provide occupational training to upgrade needed skills.

The GAO findings are consistent with State-reported data and anecdotal information obtained by ACF. Increasingly, States are expanding on the post-employment services offered to current and former TANF clients. Providing training to current and former low-wage TANF clients is often critical to help them rise out of poverty and become economically independent. ACF is committed to identifying what works and ensuring that more resources are devoted to helping States identify and implement effective practices. The information in GAO's report will help States develop and enhance appropriate worker training programs, and provide services and supports that address the barriers to such training.

GAO Recommendation:

GAO provided no specific recommendations for the TANF program.

Agency Comment

As indicated in our general comments, ACF concurs with the information provided.

Appendix V: Comments from the Department of Labor

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

JAN 31 2003

Mr. Sigurd R. Nilsen
Director, Education, Workforce
and Income Security Issues
U.S. General Accounting Office
441 G Street N.W.
Washington, D.C. 20548

Dear Mr. Nilsen:

Thank you for the opportunity to comment on the GAO draft report 03-353, "Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers."

The study objectives were to determine: 1) The extent to which local areas and states provide assistance to train employed workers including funds for training; 2) the focus of such training efforts and the kind of training provided; and 3) when targeting training to low wage workers, the approaches state and local officials identified to address challenges in training this population. The draft report recommendation on page 31 goes to the issue of addressing challenges in training this population.

The report recommends that the Secretary of Labor "review the current WIA measure for change in the adult average earnings to ensure that this measure does not provide disincentives for serving employed workers." The recommendation further suggests that Labor might consider having separate average earnings gains measures for employed workers.

We agree with the GAO recommendation to review the performance measure on earnings gains for incumbent workers with an eye towards eliminating unintended disincentives. In May 2002, through a competitive procurement prior to the issuance of GAO's draft report, the Employment and Training Administration engaged Social Policy Research Associates to conduct an "Evaluation of the WIA Performance Measurement System." The major goals of the evaluation are to determine the effectiveness of measures and strategies that are in place, and to identify alternatives that might more effectively accomplish the aims of the performance measurement system. One of the objectives of the evaluation is to determine the intended and unintended consequences of the performance measurement system.

A Proud Member of America's Workforce Network

GAO's suggestion to have separate measures on earnings gains for incumbent workers will be an option for DOL consideration in making improvements to WIA performance. This input, together with the findings from the evaluation, will be used in ETA's continuing review of the performance measures of the workforce investment system.

If additional information is required, please don't hesitate to contact me at (202) 693-2700.

Sincerely,

Emily Stover DeRocco

Appendix VI: GAO Contacts and Staff Acknowledgments

GAO Contacts

Sigurd R. Nilsen, Director (202) 512-7215
Joan T. Mahagan, Assistant Director (617) 565-7532

Staff Acknowledgments

Natalie S. Britton, Ramona L. Burton, Betty S. Clark, Anne Kidd, and Deborah A. Signer made significant contributions to this report, in all aspects of the work throughout the assignment. In addition, Elizabeth Kaufman and Janet McKelvey assisted during the information-gathering segment of the assignment. Jessica Botsford, Carolyn Boyce, Stuart M. Kaufman, Corinna A. Nicolaou, and Susan B. Wallace also provided key technical assistance.

Related GAO Products

Older Workers: Employment Assistance Focuses on Subsidized Jobs and Job Search, but Revised Performance Measures Could Improve Access to Other Services. GAO-03-350. Washington, D.C.: January 24, 2003.

High-Skill Training: Grants from H-1B Visa Fees Meet Specific Workforce Needs, but at Varying Skill Levels. GAO-02-881. Washington, D.C.: September 20, 2002.

Workforce Investment Act: States and Localities Increasingly Coordinate Services for TANF Clients, but Better Information Needed on Effective Approaches. GAO-02-696. Washington, D.C.: July 3, 2002.

Workforce Investment Act: Coordination between TANF Programs and One-Stop Centers Is Increasing, but Challenges Remain. GAO-02-500T. Washington, D.C.: March 12, 2002.

Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program. GAO-02-274. Washington, D.C.: February 11, 2002.

Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness. GAO-02-275. Washington, D.C.: February 1, 2002.

Workforce Investment Act: Better Guidance Needed to Address Concerns Over New Requirements. GAO-02-72. Washington, D.C.: October 4, 2001.

Workforce Investment Act: Implementation Status and the Integration of TANF Services. GAO-/T-HEHS-00-145. Washington, D.C.: June 29, 2000.

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